



JOINT BUDGET COMMITTEE STAFF FY 2020-21 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Revenue

Executive Director's Office and Taxation Business Group

Funding for the Department of Revenue in FY 2019-20 consists of 30.8 percent General Fund, 67.4 percent cash funds, 1.5 percent reappropriated funds, and 0.3 percent federal funds. Funding for the divisions covered in this briefing document consists of 71.0 percent General Fund, 24.9 percent cash funds, 3.4 percent reappropriated funds, and 0.6 percent federal funds in FY 2019-20. Some of the major factors driving these division budgets are discussed below. The Department's FY 2019-20 appropriation represents approximately 1.2 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

FY 2019-20 APPROPRIATION AND FY 2020-21 REQUEST

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION:						
FY 2019-20 Long Bill (SB 19-207)	12,031,612	7,541,140	4,451,044	(172,513)	211,941	24.5
Other legislation	153,136,955	109,775,049	36,731,646	5,805,872	824,388	560.3
TOTAL	\$165,168,567	\$117,316,189	\$41,182,690	\$5,633,359	\$1,036,329	584.8
FY 2020-21 REQUESTED APPROPRIATION:						
FY 2019-20 Appropriation	\$165,168,567	117,316,189	\$41,182,690	\$5,633,359	\$1,036,329	584.8
R3 Budget efficiency - Taxation and Compliance Division	(310,466)	0	(310,466)	0	0	(5.0)
R4 Budget efficiencies - Taxpayer Services Division	(70,500)	0	(70,500)	0	0	(1.0)
R7 Budget efficiencies - Tax Conferee Office	(200,000)	(200,000)	0	0	0	0.0
R8 Budget efficiencies - Executive Directors Office	(50,000)	0	(50,000)	0	0	(1.0)
R10 Back office cashier re-alignment	(103,150)	0	(103,150)	0	0	(2.0)
R13 Departmental staffing re-alignment	0	0	0	0	0	0.0
Non-prioritized requests	847,537	577,307	270,230	0	0	0.0
Centrally appropriated line items	14,341,140	3,785,875	6,616,673	3,905,590	33,002	0.0
Technical adjustments	1,594,652	285,722	0	1,308,930	0	0.0
Indirect cost adjustments	15,323	517,321	15,926	(517,924)	0	0.0
Annualize prior year budget actions	(2,573,190)	1,032,683	(3,600,901)	(4,972)	0	3.0
Annualize prior year legislation	(715,712)	(719,492)	(478)	0	4,258	1.7
TOTAL	\$177,944,201	\$122,595,605	\$43,950,024	\$10,324,983	\$1,073,589	580.5
INCREASE/(DECREASE)	\$12,775,634	\$5,279,416	\$2,767,334	\$4,691,624	\$37,260	(4.3)
Percentage Change	7.7%	4.5%	6.7%	83.3%	3.6%	(0.7%)

R3 BUDGET EFFICIENCY - TAXATION AND COMPLIANCE DIVISION: The request includes a decrease of \$310,466 cash funds and 5.0 FTE in the Tax and Compliance Division. The Department states the request is a true-up due to

lack of revenue collected to sustain the spending authority, including \$255,000 from the Marijuana Tax Cash Fund and \$55,466 the Tobacco Tax Enforcement Cash Fund and 5.0 FTE in unfilled positions in this Division.

R4 BUDGET EFFICIENCIES - TAXPAYER SERVICES DIVISION: The request includes a decrease of \$70,500 cash funds and 1.0 FTE in the Taxpayer Services Division. The Department states the request is a true-up due to lack of revenue collected to sustain the spending authority and vacancy savings due to recruitment challenges in this Division. Decreases include \$58,500 from the Private Letter Ruling Fund and \$12,000 from the Marijuana Tax Cash Fund.

R7 BUDGET EFFICIENCIES - TAX CONFEREE OFFICE: The request includes a decrease of \$200,000 General Fund in the Tax Conferee Office. The Department states the request is a decrease of General Fund used to hire temporary staff during the high-volume tax season.

R8 BUDGET EFFICIENCIES - EXECUTIVE DIRECTORS OFFICE: The request includes a decrease of \$50,000 cash funds from various sources in the Executive Director's Office. The Department states the request is a true-up based on actual expenditures over the last two years.

R10 BACK OFFICE CASHIER RE-ALIGNMENT: The request is a net-zero budget realignment that repositions \$103,150 cash funds from various sources and 2.0 FTE from the Executive Director's Office to the Division of Motor Vehicles.

R13 DEPARTMENTAL STAFFING RE-ALIGNMENT: The request is a net-zero budget realignment that repositions \$399,272 General Fund and 4.0 FTE from the Taxation and Compliance Division to the Executive Director's Office.

NON-PRIORITIZED REQUESTS: The request includes adjustments related to budget requests made by the Governor's Office of Information Technology that affect the Department of Revenue in FY 2020-21, which are summarized in the following table.

NON-PRIORITIZED REQUESTS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
OIT Budget request package	\$847,537	\$577,307	\$270,230	0.0
TOTAL	\$847,537	\$577,307	\$270,230	0.0

CENTRALLY APPROPRIATED LINE ITEMS: The request includes an increase of \$14.3 million total funds including an increase of \$3.8 million General Fund related to employee benefits and other centrally appropriated items. This total includes the following changes:

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Payments to OIT	\$6,515,791	\$2,583,650	\$0	\$3,932,141	\$0	0.0
Health, life, and dental	3,660,310	622,449	3,046,556	(21,357)	12,662	0.0
Salary survey	2,141,253	813,048	1,309,458	2,114	16,633	0.0
CORE	560,317	213,549	346,768	0	0	0.0
AED	543,923	149,614	395,436	(2,831)	1,704	0.0
SAED	543,923	149,614	395,436	(2,831)	1,704	0.0
Legal services adjustment	476,244	278,850	197,394	0	0	0.0
Paid family leave	296,356	112,558	181,202	293	2,303	0.0
Leased space	234,637	49,374	185,263	0	0	0.0
Capitol Complex leased space	107,847	(634,022)	741,869	0	0	0.0
Short-term disability	18,910	5,080	13,863	(95)	62	0.0
Shift differential	9,305	0	9,305	0	0	0.0
Document management	(404,756)	(404,756)	0	0	0	0.0

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Workers' compensation	(247,057)	(100,415)	(146,642)	0	0	0.0
PERA Direct Distribution	(75,510)	(36,645)	(34,955)	(1,844)	(2,066)	0.0
Payment to risk mgt. / property funds	(30,314)	(13,771)	(16,543)	0	0	0.0
DPA Annual fleet vehicle request	(9,345)	(2,302)	(7,043)	0	0	0.0
ALJ	(694)	0	(694)	0	0	0.0
TOTAL	\$14,341,140	\$3,785,875	\$6,616,673	\$3,905,590	\$33,002	0.0

TECHNICAL ADJUSTMENTS: The request includes technical adjustments, summarized in the following table.

TECHNICAL ADJUSTMENTS				
	TOTAL FUNDS	GENERAL FUND	REAPPROPRIATED FUNDS	FTE
Reappropriated fund true-up	\$1,308,930	\$0	\$1,308,930	0.0
FAST Enterprises contract escalator	285,722	285,722	0	0.0
TOTAL	\$1,594,652	\$285,722	\$1,308,930	0.0

INDIRECT COST ADJUSTMENT: The request includes net adjustments to indirect costs across the Department.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a net decrease of \$2.6 million total funds, including a net increase of \$1.0 million General Fund, for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY19-20 R1 GenTax support enhancements	\$1,397,326	\$1,397,326	\$0	\$0	\$0	7.0
FY 19-20 R4 DMV drivers license documents	33,347	0	33,347	0	0	0.0
FY 19-20 R5 DMV leased space	(2,040,000)	0	(2,040,000)	0	0	0.0
Annualize prior year salary survey	(1,740,070)	(140,850)	(1,594,248)	(4,972)	0	0.0
FY 19-20 R2 Sales and use tax collection	(223,793)	(223,793)	0	0	0	(4.0)
TOTAL	(\$2,573,190)	\$1,032,683	(\$3,600,901)	(\$4,972)	\$0	3.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net decrease of \$715,712 total funds to reflect the FY 2020-21 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
HB 19-1085 Grants for property tax rent and heat	\$777,853	\$777,853	\$0	\$0	0.0
SB 18-200 PERA unfunded liability	206,342	180,638	21,446	4,258	0.0
HB 19-1090 Publicly licensed marijuana companies	72,151	0	72,151	0	0.0
HB 18-1190 Modify job creation main street revitalization	63,453	63,453	0	0	1.4
HB 19-1234 Regulated marijuana delivery	14,850	0	14,850	0	0.0
HB 18-1185 Market sourcing for business income tax	7,891	7,891	0	0	0.0
HB 18-1202 Income tax credit leave of absence organ donation	6,290	6,290	0	0	0.0
SB 19-006 Electronic sales and use tax simplification	(817,000)	(817,000)	0	0	0.0
HB 19-1327 Authorize and tax sports betting refer under TABOR	(443,500)	(620,538)	177,038	0	0.0
HB 19-1245 Affordable housing funding from vendor fee	(251,041)	(251,041)	0	0	0.3
SB 18-141 Income tax checkoff nonprofit donation fund	(112,378)	0	(112,378)	0	0.4
SB 19-224 Sunset regulated marijuana	(77,722)	0	(77,722)	0	0.0
HB 18-1217 Income tax credit for employer 529 contributions	(50,000)	0	(50,000)	0	0.0
SB 19-256 Electronic documents motor vehicle appropriation	(37,868)	0	(37,868)	0	(0.4)

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
HB 18-1060 Income tax deduction for military retirement	(35,038)	(35,038)	0	0	0.0
SB 19-248 State tax system working group	(30,000)	(30,000)	0	0	0.0
HB 19-1230 Marijuana hospitality establishments	(7,995)	0	(7,995)	0	0.0
SB 19-142 Hard cider exemption Wine Industry Development Act	(2,000)	(2,000)	0	0	0.0
TOTAL	(\$715,712)	(\$719,492)	(\$478)	\$4,258	1.7

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

GEN TAX UPDATE – S.B. 19-248 STATE TAX SYSTEM WORKING GROUP AND DEPARTMENT RESPONSE TO 2018 LONG BILL RFI: The State Tax System Working Group, created in S.B. 19-248, comprised of representatives from the Department of Revenue, the Governor's Office of Information Technology (OIT) and Joint Technology Committee staff, tasked with conducting an analysis of the state tax system, GenTax, and convened during the 2019 interim released its final report in December. The Department of Revenue submitted its response to a 2018 Long Bill Request for Information (RFI) as required on November 1, 2018. The response included statutory recommendations and additional funding recommendations, but none were included in the Department of Revenue's budget request for FY 2019-20 and no action was taken on the Department's response. This issue brief provides a GenTax update on the basis of these two items.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2020-21_revbrf1.pdf